

JPMorgan unveils its 50 'most compelling' stock picks to buy for 2021 — and details why each one will be a top performer

JPMorgan cautions that investors need to blend growth- and value-oriented approaches to stocks to get the best returns in 2021.

Its analysts named their top growth and value choices in every market sector along with two "near term" picks.

The firm thinks the S&P 500 could soar more than 20% to 4,500 by the end of 2021. That's roughly double its lowest closing level in March.

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JPMorgan is decidedly bullish on stocks in 2021, to the point that it's telling investors they can haul in big returns with two diametrically opposed approaches.

Chief US Equity Strategist Dubravko Lakos-Bujas says the benchmark S&P 500 should rally another 9% to 4,000 early next year. And by the end of the year, the benchmark index could climb to 4,500 for a gain of about 23% from today's levels — or 101% from its lowest closing price in March.

For most of that recovery, high-growth stocks have outperformed — a pattern that's faded just in the last few weeks as investors felt a vaccine and a return to a post-virus normal was approaching. Lakos-Bujas and others say that investors should maintain exposure to growth, but combine it with bets on the right value stocks.

"Investors should consider balancing out their portfolios to make sure they are not over-exposed to high Momentum/Growth stocks, which have outperformed during the pandemic," he said. The backdrop of globally synchronized expansion, legislative gridlock and positive vaccine news should be a strong catalyst for Value stocks."

There are a lot of ways to combine those two approaches, and JPMorgan's analysts are offering investors a lot of options to put them into practice.

"This report identifies what our analysts view as the most compelling investment ideas in their coverage group across a variety of strategies, including growth, value, near-term, and short strategies," said Head of North America Equity Research Nicholas Rosato Jr.

That includes their top value and growth stock ideas in dozens of industry groups. Most are either growth or value picks, but two fall into a different category because

the analysts are optimistic about their immediate prospects. Those are Coca-Cola and financial services company Fiserv.

"We think KO offers a high quality way to invest in the re-opening (about half of global volumes are on-premise) and that the company will emerge stronger (fewer SKUs) and leaner after the recent reorganization," wrote analyst Andrea Teixeira.

Of Fiserv, analyst Tien-tsin Huang wrote that while the stock has slumped, the company changed CEOs in July, and investors are worrying about its technology, it's usually traded at a premium to peers and could regain that status.

Those stocks and JPMorgan's top 48 growth and value picks are organized in ascending order of how much upside they offer based on the analysts' end-of-2021 price targets. Percentages were calculated as of Thursday's close. All of the stocks have "Overweight" ratings from JPMorgan analysts.

50. Discover Financial

Discover Financial

Markets Insider

Ticker: DFS

Sector: Financials

Strategy: Value

Case: "We believe the primary catalyst for shares in 2021 will be increased visibility to long-term capital returns." — Richard Shane

Price target: \$72

Upside to target: -14.4%

Source: JPMorgan Chase

49. Cimarex

Cimarex

Markets Insider

Ticker: XEC

Sector: Energy

Strategy: Value

Case: "XEC is one of our top picks as we expect all three commodities to be working for the company in a positive direction." — Arjun Jayaram

Price target: \$35

Upside to target: -11.1%

Source: JPMorgan Chase

48. TG Therapeutics

TG Therapeutics

Markets Insider

Ticker: TGTX

Sector: Healthcare

Strategy: Growth

Case: "We view the coming year as value defining for TGTX's heme-oncology franchise along with, assuming phase 3 ULTIMATE's success, compelling optionality held by ublituximab in an expanding anti-CD20 RMS market, and see shares continuing to outperform both our broader coverage universe, and the sector as whole." — Eric Joseph

Price target: \$38

Upside to target: -8.9%

Source: JPMorgan Chase

47. Spirit AeroSystems

Spirit Aerosystems

Markets Insider

Ticker: SPR

Sector: Industrials

Strategy: Value

Case: "We see the ramp on 737 profits giving Spirit appealing exposure to a multi-year Aero recovery. We view Boeing's future as very much dependent on ramping MAX production in the coming years, and this gives Boeing a strong incentive to sell the key platform that drives Spirit's profitability." — Seth Seifman

Price target: \$36

Upside to target: -7.0%

Source: JPMorgan Chase

46. Wynn Resorts

Wynn Resorts

Markets Insider

Ticker: WYNN

Sector: Consumer discretionary

Strategy: Growth

Case: "Likely sequential improvements in Macau (and, honestly, not much has to happen for this to occur) will continue to drive WYNN higher." — Joseph Greff

Price target: \$106

Upside to target: -6.1%

Source: JPMorgan Chase

45. Honeywell

Honeywell

Markets Insider

Ticker: HON

Sector: Industrials

Strategy: Growth

Case: "We view HON as a best-in-class diversified growth story, positioned well on several fronts such as warehouse automation (e-commerce) and building efficiency (IAQ/ESG thematic)." — C. Stephen Tusa

Price target: \$200

Upside to target: -5.6%

Source: JPMorgan Chase

44. Bank of America

Bank of America
Markets Insider
Ticker: BAC

Sector: Financials

Strategy: Value

Case: "Bank of America is one of our more rate sensitive names and should benefit from rise in long term rates. Bank of America has strong capital levels and should also benefit from further capital return. Finally, BofA has a more conservative credit risk profile, which should better position it if economic recovery is weaker than expected." — Vivek Juneja

Price target: \$27.50

Upside to target: -5.5%

Source: JPMorgan Chase

43. Arista Networks
Arista
Markets Insider
Ticker: ANET

Sector: Growth

Strategy: Information technology

Case: "We expect Arista to return to double-digit revenue growth in FY21 ... helped by rebound in US cloud provider spending (forecast >20% capex growth vs. 8% in FY20) and recovery in Enterprise spending" — Samik Chatterjee

Price target: \$275

Upside to target: -0.5%

Source: JPMorgan Chase

42. Wyndham Hotels & Resorts
Wyndham
Markets Insider
Ticker: WH

Sector: Consumer discretionary

Strategy: Value

Case: "We remain confident that WH can generate above peer operating results in the near/medium term given its focus on franchising, leisure and drive to business with mostly non-urban economy/mid-scale select service hotels, and thus can continue to close the valuation gap to peers" — Joseph Greff

Price target: \$59

Upside to target: 0.3%

Source: JPMorgan Chase

41. Ascendis Pharma
Ascendis Pharma
Markets Insider
Ticker: ASND

Sector: Healthcare

Strategy: Growth

Case: "Following a string of positive catalysts, each of which were de-risking for the pipeline ... we see ASND delivering on the promise of its platform." — Jessica Fye

Price target: \$177

Upside to target: 0.4%

Source: JPMorgan Chase

40. KLA
Screen Shot 2020 12 11 at 2.18.21 PM
Markets Insider
Ticker: KLAC

Sector: Information technology

Strategy: Value

Case: "KLAC is our top pick in semi-caps on diversified growth, strong product cycles, positive leverage to EUV, and growing shareholder returns." — Harlan Sur

Price target: \$260

Upside to target: 1.6%

Source: JPMorgan Chase

39. Broadcom
Broadcom
Markets Insider
Ticker: AVGO

Sector: Information technology

Strategy: Value

Case: "Even in a tougher environment, we continue to expect an increase to annual dividends in December (from \$13.00 today) and 8-12% annual dividend growth beyond this year." — Harlan Sur

Price target: \$420

Upside to target: 2.4%

Source: JPMorgan Chase

38. Phillips 66
Phillips 66
Markets Insider
Ticker: PSX

Sector: Energy

Strategy: Value

Case: "While PSX has been less defensive than we hoped in 2020, owing to weaker-than-expected performance in the Refining segment, we still think that earnings should hold up better than for most companies in Energy, aided by its portfolio diversity." — Phil Gresh

Price target: \$73

Upside to target: 3.0%

Source: JPMorgan Chase

37. Disney
Disney
Markets Insider
Ticker: DIS

Sector: Consumer discretionary

Strategy: Growth

Case: "Disney will benefit from greater reopening of Parks and resumption of theatrical releases while driving further growth at its streaming services. We believe investors should continue to appreciate the exceptional growth in digital subs and Disney's superior content as the sub growth story continues in F21" — Alexia Quadrani

Price target: \$160

Upside to target: 3.4%

Source: JPMorgan Chase

36. Caterpillar
Caterpillar
Markets Insider
Ticker: CAT

Sector: Industrials

Strategy: Value

Case: "We believe CAT's earning power and FCF conversion over this upcoming cycle, supported by a new US construction cycle, continue to merit our Overweight rating. ... we view CAT as the biggest winner of a potential federal infrastructure bill." — Ann Duignan

Price target: \$185

Upside to target: 3.4%

Source: JPMorgan Chase

35. Coca-Cola

Coca-Cola
Markets Insider
Ticker: KO

Sector: Consumer staples

Strategy: Near term

Case: "We believe KO still offers investors a unique combination of top-line growth and gross margin expansion." — Andrea Teixeira

Price target: \$55

Upside to target: 3.7%

Source: JPMorgan Chase

34. Globe Life
Globe Life
Markets Insider
Ticker: GL

Sector: Financials

Strategy: Growth

Case: "GL is the strongest franchise in the life sector, in the long run, and one of the best positioned firms in the current environment due to its superior ROE, strong free cash flow, and below-average EPS sensitivity to interest rates or the equity market." — Jimmy Bhullar

Price target: \$99

Upside to target: 4.3%

Source: JPMorgan Chase

33. Fiserv
Fiserv
Markets Insider
Ticker: FISV

Sector: Information technology

Strategy: Near term

Case: "While the tech is relatively dated, we believe management will develop a plan to modernize without disrupting its large scale and distribution footprint that have allowed the company to grow at a premium to direct peers in the most recent quarter." — Tien-tsin Huang

Price target: \$120

Upside to target: 4.5%

Source: JPMorgan Chase

32. Microsoft
Microsoft
Markets Insider
Ticker: MSFT

Sector: Information technology

Strategy: Growth

Case: "Accelerated demand in some parts of its business stemming from work, learn and play-from home trends has only reinforced the narrative that Microsoft thrives at the intersection of digital transformation, cloud computing, and productivity." — Mark Murphy

Price target: \$220

Upside to target: 4.5%

Source: JPMorgan Chase

31. Alphabet
Alphabet
Markets Insider
Ticker: GOOGL

Sector: Communication services

Strategy: Value

Case: "Google Cloud profit disclosure will not only show the pace & magnitude of investments in Google Cloud, a key focus area, but also show how profitable the rest of Google Segment is, making SOTP more viable." — Harlan Sur

Price target: \$1,870

Upside to target: 5.8%

Source: JPMorgan Chase

30. Robert Half International

Screen Shot 2020 12 11 at 2.18.44 PM

Markets Insider

Ticker: RHI

Sector: Industrials

Strategy: Growth

Case: "RHI is both a dominant and an innovative leader in professional staffing with expertise in accounting and finance (F&A). In past economic cycles, RHI has seen double-digit growth in its perm and temp help business in the first few years coming out of the recession, and we believe this cycle should be no different." — Andrew Steinerman

Price target: \$68

Upside to target: 6.0%

Source: JPMorgan Chase

29. Thermo Fisher Scientific

Screen Shot 2020 12 11 at 2.19.56 PM

Markets Insider

Ticker: TMO

Sector: Healthcare

Strategy: Growth

Case: "We see both durability and further upside in COVID tailwinds ... Longer term, TMO's growing biopharma exposure and leading product innovation should fuel persistent above-market growth." — Tycho Peterson

Price target: \$500

Upside to target: 6.7%

Source: JPMorgan Chase

28. Norfolk Southern
Norfolk Southern
Markets Insider
Ticker: NSC

Sector: Industrials

Strategy: Growth

Case: "Norfolk represents the best in class opportunity to improve the worst in class operating ratio after lagging peers in volume growth." — Brian Ossenbeck

Price target: \$253

Upside to target: 7.0%

Source: JPMorgan Chase

27. Bloomin' Brands
Bloomin' Brands
Markets Insider
Ticker: BLMN

Sector: Consumer discretionary

Strategy: Value

Case: "Bloomin' Brands' shored-up balance sheet, largely mid-scale exposed US business, recovering Brazil and company-specific margin improvement efforts screen attractive among casual diners." — John Ivankoe

Price target: \$20

Upside to target: 9.7%

Source: JPMorgan Chase

26. Aon

Aon
Markets Insider
Ticker: AON

Sector: Financials

Strategy: Growth

Case: "We view brokerage as the most attractive business segment within P&C insurance from a long-term structural standpoint. Additionally, we believe that brokers are defensively positioned in the current economic backdrop. Among large brokers, AON is our favorite stock." — Jimmy Bhullar

Price target: \$228

Upside to target: 10.6%

Source: JPMorgan Chase

25. AbbVie
AbbVie
Markets Insider
Ticker: ABBV

Sector: Healthcare

Strategy: Value

Case: "ABBV remains one of our favorite names in the group as we see ongoing upside from Skyrizi and Rinvoq (where we highlight a number of line extension catalysts over the next 12 months) as well as an improving mid/late-stage pipeline." — Chris Schott

Price target: \$120

Upside to target: 11.6%

Source: JPMorgan Chase

24. First Republic Bank
First Republic
Markets Insider
Ticker: FRC

Sector: Financials

Strategy: Growth

Case: First Republic's pre-tax pre-provision profit "income growth potential is likely to widen further above peers." —Alex Lau

Price target: \$148

Upside to target: 13.6%

Source: JPMorgan Chase

23. Humana

Humana

Markets Insider

Ticker: HUM

Sector: Healthcare

Strategy: Growth

Case: "Humana is largely a pure play story for the Medicare Advantage (MA) market. MA is the fastest-growing line of health insurance ... HUM already provided the most robust 2021 outlook in the sector, which is attractive in a year characterized by increased margin uncertainty for health insurers." — Gary Taylor

Price target: \$452

Upside to target: 13.7%

Source: JPMorgan Chase

22. Targa Resources

Screen Shot 2020 12 11 at 2.20.36 PM

Markets Insider

Ticker: TRGP

Sector: Energy

Strategy: Growth

Case: "TRGP possesses full value chain integration and best in class Permian leverage. Importantly, having right sized the dividend and largely completed its

project backlog, Targa possesses visibility to deleveraging and share repurchases."
— Jeremy Tonet

Price target: \$32

Upside to target: 14.0%

Source: JPMorgan Chase

21. General Motors

General Motors

Markets Insider

Ticker: GM

Sector: Consumer discretionary

Strategy: Value

Case: "Greater than presumed resiliency, combined with accelerating investments in electric vehicles to rival much more highly valued peers, we think could engender multiple expansion in 2021 even as earnings surge back as volume rebounds." — Ryan Brinkman

Price target: \$49

Upside to target: 14.3%

Source: JPMorgan Chase

20. Altice USA

Altice

Markets Insider

Ticker: ATUS

Sector: Communication services

Strategy: Value

Case: "We continue to like Altice based on solid fundamentals, strong capital returns, and 11.5% fully-taxed 2022 FCF yield." — Philip Cusick

Price target: \$40

Upside to target: 15.1%

Source: JPMorgan Chase

19. Mondelez International
Mondelez
Markets Insider
Ticker: MDLZ

Sector: Consumer staples

Strategy: Growth

Case: "Many food-at-home companies will post deeply negative organic/same-store sales growth in 2021. To avoid stocks with these unfortunate optics, we lean toward companies that can still grow during 2021, such as Mondelēz." — Ken Goldman

Price target: \$66

Upside to target: 15.4%

Source: JPMorgan Chase

18. Sarepta Therapeutics
Sarepta
Markets Insider
Ticker: SRPT

Sector: Healthcare

Strategy: Growth

Case: "All told, recent volatility in SRPT shares amidst negative sentiment has shifted the reward / risk profile into the event to be more balanced / favorable." — Anupam Rama

Price target: \$185

Upside to target: 15.6%

Source: JPMorgan Chase

17. Delta Air Lines
Delta
Markets Insider

Ticker: DAL

Sector: Industrials

Strategy: Value

Case: "We continue to view Delta as the industry benchmark and a company that will likely benefit from the further rationalization of the global airline industry." — Jamie Baker

Price target: \$50

Upside to target: 17.3%

Source: JPMorgan Chase

16. Dell Technologies

Dell Technologies

Markets Insider

Ticker: DELL

Sector: Information technology

Strategy: Growth

Case: "Dell has executed well as work from home trends have benefited the consumer PC business ... Strong FCF in FY21 has enabled the firm to de-lever consistently throughout FY21." — Paul Coster

Price target: \$85

Upside to target: 17.8%

Source: JPMorgan Chase

15. Baxter International

Baxter

Markets Insider

Ticker: BAX

Sector: Healthcare

Strategy: Value

Case: "We see significant long-term value in Baxter and view it as one of the top names in our large-cap coverage." — Robbie Marcus

Price target: \$94

Upside to target: 18.7%

Source: JPMorgan Chase

14. Dominion Energy

Dominion Energy

Markets Insider

Ticker: D

Sector: Utilities

Strategy: Growth

Case: "Dominion now represents a best-in-class, pure play regulated utility with attractive ESG growth plans." — Jeremy Tonet

Price target: \$90

Upside to target: 21.1%

Source: JPMorgan Chase

13. Varonis Systems

Varonis

Markets Insider

Ticker: VRNS

Sector: Information technology

Strategy: Growth

Case: "Subscription transitions have been a consistent generator of outperformance in software over the last decade and VRNS appears to be following suit." — Sterling Auty

Price target: \$160

Upside to target: 21.2%

Source: JPMorgan Chase

12. Ulta Beauty

Ulta Beauty

Markets Insider

Ticker: ULTA

Sector: Consumer discretionary

Strategy: Growth

Case: "We view ULTA as one of the best COVID-recovery stocks in retail as makeup consumption has lagged the broader market recovery ... we expect social-gathering starved consumers to engage highly in the make-up category as investors continue to look to 2022 earnings." — Christopher Horvers

Price target: \$330

Upside to target: 21.3%

Source: JPMorgan Chase

11. Summit Materials

Summit Materials

Markets Insider

Ticker: SUM

Sector: Materials

Strategy: Value

Case: "SUM changed its CEO recently (a person coming from a different industry), and we expect to see a new phase for the company much more focused on integrating recent acquisitions." — Adrian Huerta

Price target: \$24

Upside to target: 23.5%

Source: JPMorgan Chase

10. AmerisourceBergen

AmerisourceBergen

Markets Insider

Ticker: ABC

Sector: Healthcare

Strategy: Value

Case: "The longer-term fundamental outlook for the pharmaceutical distribution industry is positive, driven by an aging population and increased utilization of prescription drugs. As ABC is essentially a pure-play in pharmaceutical distribution."
— Lisa Gill

Price target: \$123

Upside to target: 23.8%

Source: JPMorgan Chase

9. Brookfield Asset Management

Brookfield

Markets Insider

Ticker: BAM

Sector: Financials

Strategy: Value

Case: "Brookfield Asset Management is a \$578bn alternative asset manager with higher exposure to infrastructure/renewable than peers. BAM is entering an acceleration of its fundraising that will drive fee-earning AUM, revenue, and margins higher." — Kenneth Worthington

Price target: \$53

Upside to target: 24.9%

Source: JPMorgan Chase

8. Americold Realty Trust

Americold

Markets Insider

Ticker: COLD

Sector: Real estate

Strategy: Growth

Case: "We see COLD as an interesting way to play both defense and offense. COLD's business held up quite well during the Spring lockdowns due to the defensive nature of its business, and core growth potential continues to be above average." — Anthony Paolone

Price target: \$43

Upside to target: 27.9%

Source: JPMorgan Chase

7. International Flavors & Fragrances

International Flavors & Fragrances

Markets Insider

Ticker: IFF

Sector: Materials

Strategy: Value

Case: "We think that IFF shares may be pressured near term. ... Our December 2021 price target is \$145 based on a 16.8x 2021 EV/EBITDA multiple (post the DNB transaction). Separately, IFF's business fundamentals are improving in North America." — Jeffrey Zekauskas

Price target: \$145

Upside to target: 28.8%

Source: JPMorgan Chase

6. L Brands

L Brands

Markets Insider

Ticker: LB

Sector: Consumer discretionary

Strategy: Value

Case: "LB is on the path to establish Bath & Body Works as a standalone entity, with the concept offering high-single-digit same-store sales, sustainable low-20%+

operating margins, and low- to mid-single-digit annual square footage growth translating into a double-digit compounding bottom-line profile." — Matthew Ross

Price target: \$53

Upside to target: 29.2%

Source: JPMorgan Chase

5. AerCap Holdings

AerCap

Markets Insider

Ticker: AER

Sector: Industrials

Strategy: Value

Case: "AerCap is our top pick for the Aircraft Leasing sector in 2021, as we believe the company affords investors compelling growth prospects through a healthy delivery backlog (only ~9% of fleet has leases expiring through 2022) and a well-diversified portfolio of aircraft." — Jamie Baker

Price target: \$57

Upside to target: 31.1%

Source: JPMorgan Chase

4. Sunrun

Sunrun

Markets Insider

Ticker: RUN

Sector: Industrials

Strategy: Growth

Case: "We look for RUN's profitability to accelerate in 2021 ... With Vivint Solar's largest holder completely finished selling its position in RUN, we believe an overhang on the stock is now removed, and we expect RUN to outperform the mean of our coverage" — Paul Coster

Price target: \$79

Upside to target: 37.2%

Source: JPMorgan Chase

3. TechnipFMC
TechnipFMC
Markets Insider
Ticker: FTI

Sector: Energy

Strategy: Value

Case: "FTI shares have been in a state of purgatory since the company put the brakes on a planned spin of Technip Energies in the spring. The stock is pricing in "worst-case" scenarios in our view, leaving lots of inexpensive optionality in both "old" and "new" energy channels." — Sean Meakim

Price target: \$16

Upside to target: 59.5%

Source: JPMorgan Chase

2. PulteGroup
PulteGroup
Markets Insider
Ticker: PHM

Sector: Consumer discretionary

Strategy: Value

Case: "We continue to view the company's relative valuation as highly attractive when compared to its relative fundamental profile. Specifically, we estimate PHM will generate the highest gross margins across the larger-cap builders in 2021 and 2022." — Michael Rehault

Price target: \$68

Upside to target: 61.3%

Source: JPMorgan Chase

1. BioMarin Pharmaceuticals

Ultra Beauty

Markets Insider

Ticker: BMRN

Sector: Healthcare

Strategy: Growth

Case: "BioMarin remains our highest conviction idea heading into 2021 ... shares trade around the value of the base business. However, we suspect this could change with two potential value-inflecting clinical catalysts expected in January." — Cory Kasimov

Price target: \$131

Upside to target: 68.5%

Source: JPMorgan Chase

A growth-fund manager who's beaten 96% of his peers over the past 5 years shares 6 stocks he sees 'dominating their space' for the next 5 to 10 years — including 2 he thinks could grow 100%

Over the past five years, Aram Green's Select Strategy fund has outperformed 96% of its competitors.

Green shared with Business Insider six stocks that he identified as having strong secular growth prospects over the next decade, some of which have cyclical tailwinds behind them as the economy recovers.

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Few active managers have the chops to match Aram Green when it comes to growth investing.

At ClearBridge Investments, Green manages the Select Strategy fund and comanages its small-cap growth, midcap growth, and aggressive growth strategies.

Over the past five years, his Select Strategy fund has outperformed 96% of its competitors.

Business Insider recently spoke with Green about which positions he was adding to in the fund. He shared with us six stocks that he believed had strong secular growth prospects over the next decade, some of which have cyclical tailwinds behind them as the economy recovers.

"I think these companies are five- to 10-year winners dominating their space. Profitability is going to grow through the roof for these businesses," he said in a December 23 interview.

"They did not take their foot off the accelerator — maybe pumped the brakes in March when the world was coming to an end, when no one really knew what was going on — in investing in R&D in Q2 and hiring sales and marketing people," he added. "And that original sort of 'we don't know what the world looks like' quickly turned into opportunity for us."

The six stocks are listed below, with Green's commentary on each.

1. DocuSign

Screen Shot 2021 01 07 at 11.39.06 AM

Markets Insider

Ticker: DOCU

Green's commentary: "We haven't sold a single share of DocuSign. Actually we bought more this fall. And the earnings and the sales revisions have gotten ratcheted higher, and the stock has gone up, but the multiple really hasn't changed. So we haven't seen much multiple inflation, even though the numbers have gone higher. The stock has just kept up with the growth. And I think that's what you see next year.

"The stock has seen big revisions in terms of the underlying revenue and billings trajectory — that was a company that was growing 30% heading into COVID, and now revenue billings growth is in the 50 to 60% year over year.

"And one of the promises of DocuSign is they have an expansion opportunity within their addressable market, almost double the size, by expanding just beyond their core e-signature offering to offer a contract life-cycle-management solution, which has integrated artificial intelligence and machine learning, to have business insights and manage the entire life cycle of a contract as it sits within an enterprise or government agency."

2. WillScot Mobile Mini

Screen Shot 2021 01 07 at 11.45.10 AM
Markets Insider
Ticker: WSC

Green's commentary: "They're the No. 1 share player with 30% share.

"In the past you'd have a very competitive landscape where there were a number of private price aggressors in the market, and WillScot has consolidated that market. And so we're coming into a very rational market at a time that we're going to see volumes improving. So it's a really attractive asset.

"They buy these modular facilities and containers in portable storage. They have a useful life of 20 years, the [internal rates of return] are 20 to 30% per year. They're selling more value-add offerings inside, which sounds pretty simple, but they're putting refrigerators in there, shelving, and lighting — all stuff that a customer would need to put in there. So that adds an extra 5 points of IRR on their investment.

"You have a cyclical tailwind to the business as there's an economic reopening, more construction. Any infrastructure bill we see, etc., is going to give a boost to the underlying growth trends in the industry. So I think you have a lot of idiosyncratic things going on within this industry and this company, and then you add on the cyclical element too. We think there's considerable upside.

"We think it could be a double over the next couple of years."

3. Lowe's
Screen Shot 2021 01 07 at 11.47.22 AM
Markets Insider
Ticker: LOW

Green's commentary: "The stock has done well, but it's not been due to multiple expansion, it's been the earnings coming through.

"We see a business that EPS can compound in midteens plus the next couple years. Margins were 9% last year; we see them going to 12% plus as they comp at higher rates. They're bringing the COVID costs down. They're reaping the benefits of the supply chain costs. They've invested in their digital effort. They've invested behind pro. And you have a business trading at 17 times earnings, which is below the market, and Home Depot that trades at low 20s — 21 times, 22 times. So I think you could have a multiple catch-up that's coming through the fundamentals as management gains more credibility.

"There were all these headwinds that turned into tailwinds. ... We've seen the numbers on home sales, and I think that has legs going into 2021 as we see all of these people that just bought new homes and continue to buy homes as we speak, they're going to be putting more money into their homes."

4. Vroom

Screen Shot 2021 01 07 at 11.51.59 AM

Markets Insider

Ticker: VRM

Green's commentary: "It's a really hot used-car market right now, but that is a market that — call it a \$650 billion market where the largest player nationally is CarMax with less than 2% market share. And in the digital space, we are less than 1% penetrated, and so we just think we're in really early days of customers buying their car digitally.

"And that is going to continue for many, many years in an industry that is very fragmented, where the current user experience of going onto a used-car lot and buying a car is very low — very low hurdle to jump over.

"Carvana owns all their reconditioning centers. They own all their carriers that distribute cars to their customers' homes, and Vroom has taken a more hybrid approach of like, 'We're going to own some of it, but we're also going to leverage players in the industry like a manhunt to do the reconditioning for us.'

"The CEO of Vroom is the former CEO of Priceline ... I think he really understands the customer-acquisition element of it and managing a marketplace."

5. Wix

Screen Shot 2021 01 07 at 11.54.43 AM

Markets Insider

Ticker: WIX

Green's commentary: "They have been very innovative. It's been pretty much an entirely organic growth story starting in do-it-yourself website-development tools.

"They've really invested in payments, e-commerce, vertical solutions for restaurants, hotels, etc.

"You have all these avenues of additional growth that weren't around three years ago.

"The importance of having a very powerful digital experience to connect with the customers or users, as well as conduct commerce online, is just critical. How can

you have a business without that these days? And I don't think that's just a COVID thing. It was in place ahead of COVID, but we just saw this acceleration.

"And they've been leaning into development, and they've been leaning into customer acquisition. ... And I just think that pays dividends in the years ahead."

6. Yext

Screen Shot 2021 01 07 at 11.57.51 AM

Markets Insider

Ticker: YEXT

Green's commentary: "What Yext does is it's a massive database that empowers businesses to manage that information and then disseminate it out to Yelp, Facebook, Apple, Google, Siri, Alexa, etc. So it's kind of this content engine that allows these businesses to manage this information about who they are, what's conducted at these businesses.

"The stock's really not gone anywhere in many, many years; it trades at a low multiple. They started to get going pre-COVID. The stock got clobbered again in COVID. They've got a lot of innovation, so I'm very optimistic that it's only a matter of time before this clicks, or someone like a Salesforce, Adobe — someone will want to own this asset, and it's trading at half to a quarter of valuation of acquisitions we've seen take place in the software space. So I just don't see a lot of downside. It's minimal downside, with the opportunity to have a double over the next three years."

GOLDMAN SACHS: These 22 stocks still haven't recovered to pre-pandemic levels — and are set to explode amid higher earnings in 2021 as the economy recovers

Smaller cyclical stocks could recover in 2021 as COVID-19 vaccines get distributed and the economy rebounds. John Gress/Reuters

Stock indexes have recovered to record highs over the past 11 months.

But some smaller and more economically sensitive stocks have not reached their pre-pandemic levels.

Goldman found 22 stocks still below February levels with higher expected earnings than in 2019.

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Markets have roared back to new highs since bottoming 11 months ago.

But index gains have been driven largely by megacap tech stocks that have benefited from a stay-at-home environment. Meanwhile, some smaller and more economically sensitive stocks have yet to reach their pre-pandemic levels as earnings have stalled.

That could change in 2021 as COVID-19 vaccines continue to be distributed, with the rollout presumably easing lockdown measures and setting the stage for a momentous economic comeback.

Hopes for a strong economic return got another shot in the arm when Democrats won two runoff Senate races in Georgia. The victories gave them control of the chamber and the ability to pass the stronger stimulus package they desire. Goldman Sachs consequently upped its economic and earnings estimates for the year.

"Following the Democratic victories in the Georgia run-offs, our economists incorporated the likelihood of increased fiscal spending and lifted their 2021 real US GDP growth forecast," David Kostin, the bank's chief US equity strategist, wrote in a January 15 note. "We also raised our 2021 S&P 500 EPS growth rate by 2 pp to +31% (\$178)."

To help investors take advantage of the momentum cyclical stocks are expected to see, Kostin and his team put together a list of 22 stocks that meet the following two criteria: a share price still below the February 19 peak and expected earnings that are higher than those in 2019.

"Equity analysts expect 69% of S&P 500 constituents will generate 2021 EPS above their 2019A levels," Kostin said.

"Most stocks that are expected to fully recoup their pandemic earnings losses by 2021 have also surpassed their price at the previous market peak," he added, saying the stocks below "have not seen a commensurate price increase."

The 22 stocks are listed below in ascending order of how far below February 19 levels their prices sat as of January 14.

1. Assurant Inc.

Screen Shot 2021 01 20 at 3.18.12 PM

Markets Insider

Ticker: AIZ

Sector: Financials

Amount down since February 19: 1%

Source: Goldman Sachs

2. S&P Global Inc.

Screen Shot 2021 01 20 at 3.19.48 PM

Markets Insider

Ticker: SPGI

Sector: Financials

Amount down since February 19: 2%

Source: Goldman Sachs

3. NortonLifeLock Inc.

Screen Shot 2021 01 20 at 3.21.45 PM

Markets Insider

Ticker: NLOK

Sector: Information technology

Amount down since February 19: 2%

Source: Goldman Sachs

4. Campbell Soup Co.

Screen Shot 2021 01 20 at 3.28.38 PM

Markets Insider

Ticker: CPB

Sector: Consumer staples

Amount down since February 19: 4%

Source: Goldman Sachs

5. Moody's Corp.

Screen Shot 2021 01 20 at 3.30.20 PM

Markets Insider

Ticker: MCO

Sector: Financials

Amount down since February 19: 5%

Source: Goldman Sachs

6. Eversource Energy

Screen Shot 2021 01 20 at 3.32.32 PM

Markets Insider

Ticker: ES

Sector: Utilities

Amount down since February 19: 5%

Source: Goldman Sachs

7. Cardinal Health

Screen Shot 2021 01 20 at 3.34.04 PM

Markets Insider

Ticker: CAH

Sector: Healthcare

Amount down since February 19: 7%

Source: Goldman Sachs

8. Gilead Sciences

Screen Shot 2021 01 20 at 3.35.47 PM

Markets Insider

Ticker: GILD

Sector: Healthcare

Amount down since February 19: 7%

Source: Goldman Sachs

9. Hershey Co.

Screen Shot 2021 01 20 at 3.37.34 PM

Markets Insider

Ticker: HSY

Sector: Consumer staples

Amount down since February 19: 8%

Source: Goldman Sachs

10. Kimberly-Clark Corp.

Screen Shot 2021 01 20 at 3.41.41 PM

Markets Insider

Ticker: KMB

Sector: Consumer staples

Amount down since February 19: 8%

Source: Goldman Sachs

11. Vertex Pharmaceuticals Inc.

Screen Shot 2021 01 20 at 3.42.45 PM

Markets Insider

Ticker: VRTX

Sector: Healthcare

Amount down since February 19: 9%

Source: Goldman Sachs

12. PulteGroup Inc.

Screen Shot 2021 01 20 at 3.44.36 PM

Markets Insider

Ticker: PHM

Sector: Consumer discretionary

Amount down since February 19: 9%

Source: Goldman Sachs

13. Aflac Corp.

Screen Shot 2021 01 20 at 3.45.52 PM

Markets Insider

Ticker: AFL

Sector: Financials

Amount down since February 19: 9%

Source: Goldman Sachs

14. Leidos Holdings Inc.

Screen Shot 2021 01 20 at 3.47.16 PM

Markets Insider

Ticker: LDOS

Sector: Information technology

Amount down since February 19: 12%

Source: Goldman Sachs

15. Allstate Corp.

Screen Shot 2021 01 20 at 3.48.47 PM

Markets Insider

Ticker: ALL

Sector: Financials

Amount down since February 19: 12%

Source: Goldman Sachs

16. Concho Resources Inc.

Screen Shot 2021 01 20 at 3.50.41 PM

Markets Insider

Ticker: CXO

Sector: Energy

Amount down since February 19: 15%

Source: Goldman Sachs

17. W.R. Berkley Corp.

Screen Shot 2021 01 20 at 3.51.55 PM

Markets Insider

Ticker: WRB

Sector: Financials

Amount down since February 19: 17%

Source: Goldman Sachs

18. Dish Network Corp.

Screen Shot 2021 01 20 at 3.53.19 PM

Markets Insider

Ticker: DISH

Sector: Communication services

Amount down since February 19: 19%

Source: Goldman Sachs

19. Alliant Energy Corp.

Screen Shot 2021 01 20 at 3.54.57 PM

Markets Insider

Ticker: LNT

Sector: Utilities

Amount down since February 19: 19%

Source: Goldman Sachs

20. Sempra Energy

Screen Shot 2021 01 20 at 3.56.18 PM

Markets Insider

Ticker: SRE

Sector: Utilities

Amount down since February 19: 23%

Source: Goldman Sachs

21. Atmos Energy Corp.

Screen Shot 2021 01 20 at 3.57.39 PM

Markets Insider

Ticker: ATO

Sector: Utilities

Amount down since February 19: 27%

Source: Goldman Sachs

22. Evergy Inc.

Screen Shot 2021 01 20 at 3.59.11 PM

Markets Insider

Ticker: EVRG

Sector: Utilities

Amount down since February 19: 28%